

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Ovid Public Library	County Clinton
Fiscal Year End 6/30/2006	Opinion Date 8/10/2006	Date Audit Report Submitted to State 9/1/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

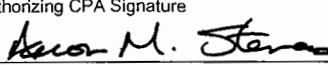
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Rd., Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Aaron M. Stevens	License Number 1101024055

**Ovid Public Library
Clinton County, Michigan**

FINANCIAL STATEMENTS

June 30, 2006

Ovid Public Library
Clinton County, Michigan
BOARD OF TRUSTEES
June 30, 2006

Mr. Richard Smith, Jr.	President
Mrs. Erin Dutton	Vice-President
Ms. Heather Kline	Secretary
Mr. Kevin VanGieson	Treasurer
Ms. Margo Martin	Trustee
Mr. Art Price	Trustee

Ovid Public Library

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Principals

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Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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(517) 351-6836
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ovid Public Library
Ovid, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ovid Public Library as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ovid Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ovid Public Library as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 10, 2006

Ovid Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

The discussion and analysis of the Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Library's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$466,390 (net assets) at the government-wide level.
- The Library's total net assets decreased by \$10,608 at the government-wide level.
- Total governmental fund balances increased by \$11,703 in the current year at the fund level.
- The Library's materials collection is constantly being updated with current titles.
- The Library's operating millage was reduced from 1.00 mills to 0.75 mills

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Ovid Public Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Ovid Public Library in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

The Library as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2006 and 2005.

	June 30,	
	2005	2006
Assets		
Current assets	\$ 101,635	\$ 114,964
Capital assets, net	<u>377,464</u>	<u>355,153</u>
Total assets	479,099	470,117
Liabilities		
Current liabilities	<u>2,101</u>	<u>3,727</u>
Net Assets		
Invested in capital assets	377,464	355,153
Unrestricted	<u>99,534</u>	<u>111,237</u>
Total net assets	<u>\$ 476,998</u>	<u>\$ 466,390</u>

Ovid Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

The Library's total net assets were \$466,390 at June 30, 2006. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$111,237 at the end of the fiscal year – an increase of \$11,703 from the prior year. The net assets invested in capital assets were at \$355,153, which was a decrease of \$22,311 from the prior year.

The following table shows the changes in net assets during the years ended June 30, 2006 and 2005.

	June 30,	
	2005	2006
Revenues		
Program revenue:		
Charges for services	\$ 2,857	\$ 2,995
Operating grants and contributions	2,196	-
General revenue:		
Property taxes	103,280	86,011
State Aid - unrestricted	2,679	7,085
Penal Fines	38,189	37,296
Interest	839	1,967
Miscellaneous	<u>13,167</u>	<u>1,275</u>
Total revenues	163,207	136,629
Program Expenses		
Library services/operations	180,131	147,237
Interest on long-term debt	<u>1,218</u>	<u>-</u>
	<u>181,349</u>	<u>137,973</u>
Change in Net Assets	<u><u>\$ (18,142)</u></u>	<u><u>\$ (10,608)</u></u>

Governmental Activities

The Library's governmental revenues totaled \$136,629 with the greatest revenue source being property taxes. Property taxes make up approximately 63 percent of total governmental revenue. Property taxes decreased approximately 17 percent from the prior year. This decrease is attributable to a reduction in millage rate from 1.00 mills to 0.75 mills. Over the past few years county penal fine income has declined. Miscellaneous revenue decreased \$11,892 from the 2005 amount because the 2005 amount included insurance reimbursement proceeds of \$10,008.

The Library incurred expenses of \$147,237 during the year. The majority of governmental expense is associated with the staffing of the Library, which provides all library services. The primary reason for the significant decrease in expenses from 2005 was the loss on the disposal of capital assets of \$30,367 in 2005.

The Library's Funds

The analysis of the Library's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Ovid Public Library as a whole. The Ovid Public Library's Board of Directors creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Library's major funds for the fiscal year ended June 30, 2006 include the General Fund and the Building Fund.

The General Fund pays for most of the Library's governmental services. The most significant service provided during the fiscal year was library staffing, which incurred expenditures of approximately \$63,877 for the fiscal year. This was an increase in salaries and wages of approximately \$814 over the prior year. Total General Fund expenditures increased only \$1,220 over the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

General Fund Budgetary Highlights

Over the course of the fiscal year, the Library Board did not make any budget amendments. The General Fund spent less than appropriated in total and therefore there was an overall favorable variance for expenditures of approximately \$1,360 from the budget. Of that variance, \$1,123 was due to spending less than anticipated on salaries and wages. The Library Board did not adopt a budget for the Building Fund for the year.

Capital Asset and Debt Administration

At the end of the fiscal year, the Library had \$612,496 invested in a broad range of capital assets, including buildings, land, and materials. In addition, the Library has made certain investments in building updates from past years with the issuance of Library Facility Bonds (Bonds) from 1995.

Next Year's Millage Rate

At its regular meeting on June 28, 2006, the Library Board approved certifying a tax levy of .7500 mills (including the County Treasurer's necessary correction) for the fiscal year 2006-2007. This will generate approximately \$80,000. The Library Board adopted an operating budget for the 2006-2007 fiscal year anticipating total revenues of \$137,000 and expenditures of the same amount.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons, and investors with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Secretary or Treasurer of the Ovid Public Library Board of Directors.

BASIC FINANCIAL STATEMENTS

Ovid Public Library

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 80,014
Accounts receivable	<u>34,950</u>
Total current assets	114,964
Noncurrent assets	
Capital assets not being depreciated	5,000
Capital assets net of accumulated depreciation	<u>350,153</u>
Total noncurrent assets	<u>355,153</u>
TOTAL ASSETS	470,117
LIABILITIES	
Current liabilities	
Accounts payable	2,626
Due to others	<u>1,101</u>
TOTAL LIABILITIES	<u>3,727</u>
NET ASSETS	
Invested in capital assets	355,153
Unrestricted	<u>111,237</u>
TOTAL NET ASSETS	<u><u>\$ 466,390</u></u>

See accompanying notes to financial statements.

Ovid Public Library

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Function/Program	Expenses	Program Revenues	Net (Expense)
		Charges for	Revenue and
		Services	Change in
			Net Assets
			Governmental
			Activities
Governmental activities:			
Recreational and cultural	\$ 147,237	\$ 2,995	(144,242)
General revenues:			
Property taxes			86,011
State aid - unrestricted			7,085
Penal fines			37,296
Investment earnings			1,967
Miscellaneous			1,275
Total general revenues			133,634
Change in net assets			(10,608)
Net assets, beginning of year			476,998
Net assets, end of year			\$ 466,390

See accompanying notes to financial statements.

Ovid Public Library

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

	General	Special Revenue Building Fund	Total Governmental Funds
ASSETS			
Cash	\$ 67,441	\$ 12,573	\$ 80,014
Accounts receivable	34,950	-	34,950
Due from other funds	-	10,008	10,008
TOTAL ASSETS	<u>\$ 102,391</u>	<u>\$ 22,581</u>	<u>\$ 124,972</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,626	\$ -	\$ 2,626
Due to other funds	10,008	-	10,008
Due to others	1,101	-	1,101
TOTAL LIABILITIES	13,735	-0-	13,735
FUND BALANCES			
Unreserved			
Designated for:			
Operations and maintenance	10,500	-	10,500
Undesignated, reported in:			
General fund	78,156	-	78,156
Special revenue fund	-	22,581	22,581
TOTAL FUND BALANCES	<u>88,656</u>	<u>22,581</u>	<u>111,237</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 102,391</u>	<u>\$ 22,581</u>	<u>\$ 124,972</u>

See accompanying notes to financial statements.

Ovid Public Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total fund balance - governmental funds	\$ 111,237
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Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 612,496	
Accumulated depreciation is	<u>(257,343)</u>	
Capital assets, net		<u>355,153</u>
Net assets of governmental activities		<u>\$ 466,390</u>

See accompanying notes to financial statements.

Ovid Public Library

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	General	Special Revenue Building Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 86,011	\$ -	\$ 86,011
Intergovernmental	7,085	-	7,085
Fines and forfeits	37,296	-	37,296
Charges for services	2,995	-	2,995
Interest	1,747	220	1,967
Other	-	1,275	1,275
TOTAL REVENUES	135,134	1,495	136,629
EXPENDITURES			
Recreation and cultural			
Salaries and wages	63,877	-	63,877
Payroll taxes	5,291	-	5,291
Utilities	8,900	-	8,900
Supplies	12,511	5	12,516
Repairs and maintenance	6,074	281	6,355
Insurance	2,200	-	2,200
VERSO	3,390	-	3,390
Contracted Services	1,200	-	1,200
Travel and workshops	994	-	994
State Aid	2,193	-	2,193
Miscellaneous	415	-	415
Total recreation and cultural	107,045	286	107,331
Capital outlay			
Materials	13,991	-	13,991
Equipment	3,604	-	3,604
Total capital outlay	17,595	-0-	17,595
TOTAL EXPENDITURES	124,640	286	124,926
EXCESS OF REVENUES OVER EXPENDITURES	10,494	1,209	11,703
Fund balances, beginning of year	78,162	21,372	99,534
Fund balances, end of year	\$ 88,656	\$ 22,581	\$ 111,237

See accompanying notes to financial statements.

Ovid Public Library

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Net change in fund balances - total governmental funds **\$ 11,703**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 13,991	
Depreciation expense	<u>(36,302)</u>	
Excess of depreciation expense over capital outlay		<u>(22,311)</u>

Change in net assets of governmental activities **\$ (10,608)**

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under Public Act 24 of 1989, the Village of Ovid and the Townships of Ovid and Middlebury created the Ovid Public Library which is considered a District Library. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation. The Townships collect and distribute property taxes that are levied by the Library. The Library has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the by-laws of the Library.

The governing body of the Library is a board which is comprised of six (6) members; two (2) appointed by the Village of Ovid, two (2) appointed by the Township of Ovid, and two (2) appointed by the Township of Middlebury for a term of four (4) years.

The Ovid Public Library's goal is to provide quality library service to Ovid area residents by improving library service, encouraging educational advancement and personal welfare of Library personnel, and supporting the bill of rights as stated by the American Library Association.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Ovid Public Library (primary government). The Library has no activities that would be classified as component units.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the Government-wide statements) present information for the Library as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

The governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

The major funds of the Library are:

- a. General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, penal fines, state aid, and other sources.
- b. Building Fund - The Building Fund is a Special Revenue Fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes (i.e., building expenditures and debt service payments) by administrative action or bond resolution.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The length of time used to define "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

5. Budgets and Budgetary Accounting

Budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with the basis used to reflect actual results. The Library does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- c. The budget is legally adopted at the total expenditure level; however, it is maintained at the account level for control purposes.
- d. Budgeted amounts are reported as originally adopted or amended by the Library Board during the year.

6. Cash

Cash consists of money market checking and savings accounts.

7. Receivables

Receivables consist of penal fines and property taxes due from other governments.

8. Property Taxes

The municipalities within the Library's jurisdictional territory levy and collect property taxes for the Library. As the Library tax is collected it is remitted by the township Treasurers. At March 1 each year the townships settle their delinquent taxes with the respective County Treasurers' and the unpaid real property tax is remitted to the Library by the County Treasurer in Clinton County and by the Township Treasurer in Shiawassee County. Delinquent personal property taxes are retained by the township Treasurers for subsequent collection. The Library is permitted to levy up to \$4 per \$1,000 of assessed valuation on property within the District, the portion of which is authorized above \$2 per \$1,000 may be levied for a period not to exceed 20 years. For the year ended June 30, 2006, the Library levied .75 mills.

9. Capital Assets

Capital assets include land, buildings and improvements, equipment and furniture, and books and are recorded (net of accumulated depreciation, if applicable) in the Government-wide financial statements. All assets with a useful life exceeding three (3) years and with a cost of \$1,500 or more are recorded as capital assets. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the Government-wide financial statements. Purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 40 years
Equipment and furniture	3 - 20 years
Books and other collections	5 years

The Library has no assets that would be classified as infrastructure assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Comparative Data

Comparative data for the prior year has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Ovid Public Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the Ovid Public Library are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Ovid Public Library.

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of June 30, 2006, the carrying amount of the Library's deposits was \$80,014 and the bank balance was \$85,943 which was covered in full by federal depository insurance.

Due to significantly higher cash flow at certain periods during the year, the amount the Library held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Ovid Public Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2006</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated				
Buildings and improvements	375,787	-	-	375,787
Equipment and furniture	115,956	-	-	115,956
Books and other collections	<u>101,762</u>	<u>13,991</u>	<u>-</u>	<u>115,753</u>
Subtotal	593,505	13,991	-0-	607,496
Less accumulated depreciation for:				
Buildings and improvements	(99,010)	(9,408)	-	(108,418)
Equipment and furniture	(59,311)	(6,542)	-	(65,853)
Books and other collections	<u>(62,720)</u>	<u>(20,352)</u>	<u>-</u>	<u>(83,072)</u>
Subtotal	<u>(221,041)</u>	<u>(36,302)</u>	<u>-0-</u>	<u>(257,343)</u>
Net capital assets being depreciated	<u>372,464</u>	<u>(23,311)</u>	<u>-0-</u>	<u>350,153</u>
Capital assets, net	<u>\$ 377,464</u>	<u>\$ (22,311)</u>	<u>\$ -0-</u>	<u>\$ 355,153</u>

NOTE D: RISK MANAGEMENT

The Library is exposed to various risks of loss for liability, property, employee dishonesty, workers' compensation, and employer's liability for which the Library carries commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Ovid Public Library

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 80,000	\$ 80,000	\$ 86,011	\$ 6,011
Intergovernmental - State	5,000	5,000	7,085	2,085
Library fees	2,500	2,500	2,995	495
Interest	500	500	1,747	1,247
Penal fines	38,000	38,000	37,296	(704)
TOTAL REVENUES	126,000	126,000	135,134	9,134
EXPENDITURES				
Recreation and cultural				
Salaries and wages	65,000	65,000	63,877	1,123
Payroll taxes	5,500	5,500	5,291	209
Utilities	9,000	9,000	8,900	100
Supplies	13,000	13,000	12,511	489
Repairs and maintenance	5,500	5,500	6,074	(574)
Insurance	2,500	2,500	2,200	300
VERSO	2,000	2,000	3,390	(1,390)
Contracted services	1,500	1,500	1,200	300
Travel and workshops	1,500	1,500	994	506
State Aid	2,700	2,700	2,193	507
Miscellaneous	800	800	415	385
Total recreation and cultural	109,000	109,000	107,045	1,955
Capital outlay				
Books and other collections	14,000	14,000	13,991	9
Equipment	3,000	3,000	3,604	(604)
Total capital outlay	17,000	17,000	17,595	(595)
TOTAL EXPENDITURES	126,000	126,000	124,640	1,360
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	10,494	10,494
Fund balance, beginning of year	78,162	78,162	78,162	-0-
Fund balance, end of year	\$ 78,162	\$ 78,162	\$ 88,656	\$ 10,494

Ovid Public Library

Building Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest	\$ -	\$ -	\$ 220	\$ 220
Other				
Donations	-	-	1,275	1,275
TOTAL REVENUES	-0-	-0-	1,495	1,495
EXPENDITURES				
Recreation and cultural				
Supplies	-	-	5	(5)
Building maintenance	-	-	281	(281)
TOTAL EXPENDITURES	-0-	-0-	286	(286)
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	1,209	1,209
Fund balance, beginning of year	21,372	21,372	21,372	-0-
Fund balance, end of year	<u>\$ 21,372</u>	<u>\$ 21,372</u>	<u>\$ 22,581</u>	<u>\$ 1,209</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

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MANAGEMENT LETTER

To the Members of the Library Board
Ovid Public Library
Ovid, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of the Ovid Public Library for the year ended June 30, 2006. In connection with the audit, we feel that a certain change in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

Budgets should be adopted for the Special Revenue fund and monitored and amended when necessary.

During the course of our audit, we noted that the Library did not adopt a formal budget for the Building Fund.

The Michigan Public Act 621 of 1978, as amended, requires that the Library adopt budgets for the General and all Special Revenue Funds.

We suggest the Library adopt budgets for all applicable funds and monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements, dated August 10, 2006.

This report is intended solely for the information of management and the members of the Board of Ovid Public Library, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 10, 2006